

## Message Text

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ORIGIN L-03

INFO OCT-01 ARA-16 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SAM-01 OMB-01 TRSE-00 FEAE-00 SCI-06 CIEP-02

INT-08 COME-00 SIL-01 LAB-06 /116 R

DRAFTED BY L/ARA:FARMSTRONG/ARA/PAN:SMBELL:VV

APPROVED BY L/ARA:DAGANTZ

ARA/PAN:PFMORRIS

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R 101356Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY PANAMA

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E.O.11652:N/A

TAGS: ENRG, PN

SUBJECT: DRAFT LEGISLATION REGULATING GASOLINE SALES

REF: PANAMA 3762

1. WE HAVE REVIEWED THE REVISED DRAFT LEGISLATION TO  
REGULATE SALE OF GASOLINE AS PUBLIC UTILITY, AND FIND NEED  
FOR FURTHER INFORMATION:

(A) WHAT ARE THE CONTRACTUAL ARRANGEMENTS WITH GOP  
UNDER WHICH GULF AND OTHER COMPANIES ARE PRES-  
ENTLY OPERATING?

(B) DO THE OIL COMPANIES OWN THEIR SERVICE STATIONS?  
WHAT IS THE NATURE OF THEIR RELATIONSHIP WITH  
DEALERS?

(C) HOW MUCH OF GULF'S CLAIMED \$7 MILLION INVESTMENT  
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IS REPRESENTED BY EQUIPMENT WHICH MIGHT BE EXPRO-

PRIATED UNDER ARTICLE 19?

(D) DO "GULF" PRODUCTS COME FROM THE TEXACO REFINERY  
OR ARE THEY IMPORTED DIRECTLY?

2. AT THIS TIME WE BELIEVE IT UNWISE TO ATTEMPT TO DEBATE  
MERITS OF LAW WITH GOP. OUR PRIMARY CONCERN WITH RESPECT  
TO U.S. INVESTOR INTERESTS IS TO ASSURE THAT, IN THE EVENT  
THE LAW RESULTS IN AN EXPROPRIATION OF US-OWNED ASSETS,  
JUST COMPENSATION IS PAID. ARTICLE 19 CLEARLY PRESCRIBES  
SUCH A POLICY FOR SOME ASSETS, AND OTHERS MAY BE AFFECTED  
AS WELL BY APPLICATION OF THE LAW.

3. WE CONCUR IN EMBASSY'S VIEWS ON GULF'S PROPOSALS.  
IF IMPLEMENTED THEY COULD EASILY GIVE GOP EXCUSE FOR  
PRECIPITATE ACTION. INsofar AS WORLD COURT CONCERNED, IT  
HAS JURISDICTION ONLY FOR DISPUTES BETWEEN STATES; A  
PRIVATE COMPANY WOULD HAVE NO STANDING BEFORE IT, A FACT  
OF WHICH GULF PRESUMABLY IS AWARE.

4. FOLLOWING RECEIPT OF THE INFORMATION REQUESTED IN  
PARAGRAPH ONE THE DEPARTMENT WILL BE IN A BETTER POSITION  
TO CONSULT WITH THE COUNTRY TEAM ON WHETHER INFORMAL  
REPRESENTATIONS TO THE GOP MIGHT BE IN ORDER. ANY SUCH  
REPRESENTATIONS WOULD OF COURSE AVOID AN EXPRESSION OF  
OPINION ON THE MERITS OF THE LEGISLATION. THEY WOULD  
NOTE THE POTENTIAL EXPROPRIATION/COMPENSATION PROBLEM  
AND RECALL FOR THE GOP THE CONVULSIONS TO WHICH BOTH  
GOVERNMENTS WERE SUBJECTED OVER A PROTRACTED PERIOD AS A  
RESULT OF THE BOISE CASCADE PROBLEM. KISSINGER

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## Message Attributes

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